Common principles on flexicurity

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PURPOSE: Communication from the Commission on common “Flexicurity” principles.

CONTENT: the Commission has prepared this Communication within the context of the revised Lisbon Agenda and the National Reform Programmes in which the ability of the EU’s workforce and enterprises to adapt to change are key objectives. The purpose of the paper is to launch a comprehensive debate between the EU institutions, the Member States, the social partners and other stakeholders on flexicurity, so that the European Council may adopt, by the end of 2007, a set of common principles.

The Commission attempts to define “flexicurity” as an integrated strategy to reconcile labour flexibility with job security. It seeks to create a situation in which security, on the one hand, and flexibility, on the other, can mutually reinforce each other.

Globalisation has forced the way in which the EU’s citizens live and work to change rapidly. This has brought both advantages and disadvantages. Overall, globalisation has benefited both growth and employment but the change it has brought requires rapid responses from both enterprises and workers alike. Adaptation requires a more flexible labour market than is currently the case, combined with high levels of security.

In a 2006 Eurobarometer survey European citizens seemed to accept the need for change. 76% of Europeans agree that lifetime jobs with the same employer are a thing of the past. Similarly, 76% consider that being able to change easily from one job to another is a useful asset to finding work. 72% of people said work contracts should become more flexible to encourage job creation and finally 88% of citizens said that regular training improves job opportunities.

Flexicurity, according to the paper, is about successful transitions during the course of one’s education and career: from school to work, from one job to another, between unemployment or work inactivity and from work to retirement. It should not represent companies’ freedom to recruit or dismiss and it does not imply that open-ended contracts are obsolete. It is about workers’ progress into better jobs and the optimal development of talent. Flexicurity is also about mastering new productive needs and skills, equipping people with the skills they need to progress and to help them find new employment.

In order to realise an equitable system of flexicurity the Commission outlines eight possible common principles, namely:

1. Flexible and reliable contractual arrangements that includes lifelong learning strategies. Its purpose: to create more and better jobs.

2. Finding the correct balance between the rights and responsibility of employers, workers, job seekers and public authorities.

3. The ability to change to specific circumstances – not a “one labour model fits all” approach.

4. Reducing the dividing line between “insiders” and “outsiders”. Outsiders being typically women, the young and migrants.

5. Securing flexibility in recruiting labour and dismissing labour accompanied by secure transitions from one job to another.

6. Supporting gender equality and promoting equal access to quality employment by reconciling work with family life and by providing equal opportunities to migrants, the young, disabled and older workers.

7. Encouraging a climate of trust and dialogue between public authorities and social partners.

8. Aiming for sound and financially sustainable budgetary policies. Cost should be equitably borne between businesses, individual and public budgets.

In order to implement the common principles in the Member States, a carefully planned and negotiated combination of policies is proposed, referred to as "flexicurity pathways". The Commission recognises that each Member State has its own policies and flexicurity is not about one single labour market model or a single policy strategy. Nevertheless, a number of broad "typical" combinations can be identified. The four pathways set out in the Communication are based on Member States' reports as set out in the "Flexicurity Expert Group". The four pathways, in summary, are:

Pathway 1: tackling contractual segmentation: This pathway will be of interest to counties where segmented labour markets (with insiders and outsiders) are common. The purpose of this pathway would be to distribute flexibility and security more evenly amongst the workforce. It would also provide entry ports into employment for newcomers and it would promote their progress into better contractual arrangements.

Pathway 2: developing flexicurity within enterprises and offering transitional security: This pathway would be of interest to countries with relatively low job-flows. For example it could help increase investment by allowing workers within enterprises to continuously update their capabilities and, for example, production methods. It would look beyond the actual job by putting a system in place that provides safe and successful job to job transitions in the case of company restructuring and redundancies.

Pathway 3: tackling skills and opportunity gaps among the workforce: This pathway would be of interest to countries where the key challenges include large skills and opportunity gaps amongst the working population. It would promote opportunities for low-skilled workers allowing them to enter into employment and to develop their skills in order to obtain a sustainable position on the labour market.

Pathway 4: improving opportunities for benefit recipients and informally employed workers: This pathway would be of interest to countries which have experienced substantive economic restructuring in recent years the results of which are a high number of unemployed and on long-term benefits. It would seek to improve opportunities for those on welfare benefits and those who are shifting from informal to formal employment. Lifelong learning systems would be combined with an adequate level of unemployment benefits.